



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

September 15, 2011

The Honorable David Vitter
United States Senate
Washington, D.C. 20510

Dear Senator Vitter:

Thank you for your letter regarding revenue related to energy development on the Outer Continental Shelf. I appreciate the time you took to share your views and your patience as we worked to respond to your questions thoroughly.

My staff has consulted with the Department of the Interior (DOI) and other agencies about your questions. The responses to your questions on offshore energy development contain data currently available. Requested information not included is either not collected or information that we are not authorized to disclose.

1. In terms of revenue generation year over year from domestic offshore energy production - considering bonus bids and royalty revenue, as well as rents and taxes from income - what has been the net revenue each year from 2007, 2008, 2009, and 2010? And what is OMB projecting to be the revenue in 2011, 2012, 2013, 2014, and 2015?

The DOI tracks revenue from the production of oil and gas in the Outer Continental Shelf (OCS), including bonus bids, royalties, rental payments and the proposed production incentive fee, that information is provided in table 1. The Department of the Treasury does not collect tax revenue related to the offshore component of a company's activities, but analyzes the total income of a company instead. It is not possible to separate the offshore components from other activities conducted by a company.

2. Is OMB projecting revenue from lease sales in 2011 and 2012, and what is the projected revenue from those lease sales? Please also provide net revenue in 2008, 2009 and 2010.

No. OMB does not make lease sale revenue forecasts or projections. The Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) does not make revenue projection by lease sale, but it does estimate total annual revenue from lease sales based on modeling. Please see table 1 below for DOI's revenue estimates in these years.

3. How does OMB account for, and what methodologies does OMB use to measure, future revenue from all sources of domestic energy? Can these numbers be broken down by the type of energy resource?

OMB relies on DOI's assumptions for projecting revenue from all sources of offshore energy development. The processes are slightly different for renewable energy development and fossil energy development, as described below.

- a. Renewable Energy Sources

BOEMRE projects revenue from renewable energy development on the OCS using expectations for specific projects under development as well as generic assumptions based on coastal States' policies to promote the development of renewable energy. Assuming a standard number of acres per megawatt of production, BOEMRE estimates lease acreages needed for the projects.

BOEMRE assumes most leases will be acquired competitively. Competitively-acquired leases are assumed to generate bonus bids, rental fees until production begins, and a fee on production, assuming standard capacity factors similar to a royalty. These assumptions are the best estimates for modeling, but the actual values for bonus bids, rents, and operating fees will vary on a lease-by-lease basis.

- b. Oil and Gas

BOEMRE prepares a semiannual forecast of bonuses, rentals, and fees covering lease sales assumed to be held over the next five years, beginning with specified dates and locations of expected lease sales. The forecast simulates a series of auctions, based on assumptions about the number and size of tracts being offered, prices, and other conditions. The future stream of rental fees associated with each lease sale in the forecast is generated from assumptions about the numbers of the leases that continue to pay rent instead of producing, expiring, or being relinquished.

Forecasts of oil and gas royalties are also prepared semiannually for a 10-year time horizon. The basis for the royalty revenue projections are estimates of future Federal OCS oil and natural gas production using existing production, any development activities, and remaining field reserves. These production estimates must then be reduced by annual estimates of royalty-free production according to any and all outstanding royalty relief policies to determine royalty-bearing production. Total Federal OCS royalties are then estimated by applying expected product prices for each forecast year and a composite royalty rate to the royalty-bearing production.

4. What has been the revenue generation from renewable energy for FY 2007, 2008, 2009, and 2010, and what is OMB projecting to be the revenue in 2011, 2012, 2013, 2014, and 2015? Also, what has been the total amount of grants and subsidies paid out to renewable energy each year, and what are the projections for the noticed years?

The revenue DOI collected from offshore renewable energy projects has been less than \$1m annually in FY 2007-2011, but is projected to increase to \$5m in 2015 as projects are developed (please see Table 2).

DOE's Office of Energy Efficiency and Renewable Energy (EERE) tracks the total amounts for grants and financial assistance awards for renewable energy (please see Table 3). EERE does not have FY 2011-2015 projections for renewable energy grant awards. These amounts are dependent on Congressional appropriations, program prioritization, and/or awardee selection and performance that have yet to be determined.

5. What companies and Venture Capital firms (including their start-up investments) are the top 10 recipients of federal grants, loans and subsidies for renewable energy, and what is the dollar figure for each firm from years 2007 through 2010?

DOE provided a list of the top 10 recipients of EERE grants and financial assistances awards to companies for renewable energy for 2007 through 2010 (Please see Table 4). EERE does not track venture capital firms invested in each of its private sector grantees.

As of August 19, 2011, DOE has issued loan guarantees to support 11 renewable energy projects. Four of these were issued between FY 2007 and FY 2010 (please see Table 5). DOE has also issued conditional commitments to support an additional 19 renewable energy projects, though all of these conditional commitments may not proceed to closing. The best source for up-to-date information on the renewable energy loan guarantees is the DOE Loan Guarantee Program web site (https://lpo.energy.gov/?page_id=45), which is updated frequently. DOE does not track venture capital firms invested in each of its private sector loan guarantee recipients.

6. How does OMB account for a fundamental transition from wealth-generating energy industries to massively-subsidized energy industries in it (sic) analysis of revenue generation and our fiscal situation?

The Administration's energy policy focuses on making the Nation more secure and in control of our energy future by harnessing all of the resources available and embracing a diverse energy portfolio. With an ultimate goal of reducing our dependence on oil, in the near term we must responsibly develop and produce oil and gas at home, while at the same time leveraging cleaner, alternative fuels and increasing efficiency. And beyond our efforts to reduce our dependence on oil, we must focus on expanding cleaner sources of electricity – keeping America on the

cutting edge of clean energy technology so that we can build a 21st century clean energy economy.

7. For the American Recovery and Reinvestment Act, what was the total number of projects that received categorical exclusions or reduced environmental review under the Act? What is the percentage of total projects?

The latest American Recovery and Reinvestment Act (ARRA) report to Congress covered all NEPA activity for Division A funded projects and activities through March 31, 2011. The fifteen Departments and nine Independent Agencies reported on 273,968 projects and activities receiving ARRA Division A funding, of which fewer than 4,300 projects and activities were reported as "NEPA not applicable." There is not a one-to-one correlation between ARRA Division A funded projects and activities and NEPA reviews. Of the 190,694 NEPA reviews, 190,008 NEPA reviews were completed. Of those, 182,692 were completed using Categorical Exclusions (CE). The CEs were used when the departments and agencies found the project or activity did not have significant individual or cumulative effects on the environment. The departments and agencies also reported completing 6,860 Environmental Assessments with a Finding of No Significant Impact. Finally, they also reported analyzing 864 projects or activities in an Environmental Impact Statement (EIS) where the NEPA review was completed with a Record of Decision. In addition to the completed NEPA reviews, approximately 686 NEPA reviews are still underway. NEPA reviews still underway include approximately 375 CEs, approximately 275 EAs, and approximately 35 EISs.

In the Budget submitted by the President on February 14, the Administration proposes funding for the development of both renewable and conventional energy production offshore through both the Departments of the Interior and Energy in order to further the goal of developing a 21st century clean energy economy.

I look forward to working with you to address our fiscal challenges. Thank you again for your letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew", with a stylized, flowing script.

Jacob J. Lew
Director

Identical Letter Sent to The Honorable Jeff Landry

Table 1. DOI Revenue from Offshore Production of Oil and Gas (\$m).

	Actuals				Projections				
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bonus Bids	374	9,481	1,181	980	0	1,793	678	672	662
Rental Fees	201	237	233	246	78	84	78	75	70
Royalties	6,444	8,328	4,405	4,029	5,473	5,901	6,366	6,830	7,270
Production Incentive Fee (proposed)	0	0	0	0	0	25	28	42	52
Total	7,019	18,046	5,819	5,255	5,551	7,803	7,150	7,619	8,054
Numbers provided by Department of the Interior, BOEMRE									

Numbers provided by Department of the Interior, BOEMRE

Table 2. DOI Revenue from Offshore Renewable Energy Development (\$m).

	Actuals				Projections				
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Renewable Energy Revenue	0	0	0	0	0	3	2	5	5
Numbers provided by Department of the Interior, BOEMRE									

Numbers provided by Department of the Interior, BOEMRE

Table 3. Total Grants and Financial Assistance Awards for Renewable Energy (\$m).

	Actuals			
	2007	2008	2009	2010
EERE Renewable Energy Programs	158	247	224	235

Numbers provided by the Department of Energy, EERE

Table 4. Energy Efficiency and Renewable Energy Grants for Renewable Energy (\$m).

EERE Awardee	2007	2008	2009	2010	Total
Abengoa Bioenergy Biomass Of Kansas, LLC	15	0	0	69	84
Poet Project Liberty, LLC	0	54	24	0	78
Range Fuels Soperton Plant LLC	0	50	0	0	50
Stora Enso North America Corp	0	0	0	36	36
Sunpower Corporation	4	0	10	5	19
Verenium Biofuels Corporation	0	10	0	5	15
General Motors Corporation	9	6	0	0	15
Mascoma Corporation	0	8	0	7	15
Ford Motor Company	9	5	0	0	14
The Boeing Company	0	8	4	0	12
Numbers provided by the Department of Energy, EERE					

Table 5. Renewable Energy Loan Guarantees (\$m).

EERE Awardee	2007	2008	2009	2010
Abengoa Solar, Inc.	0	0	0	1,445
Solyndra Inc.	0	0	535	0
First Wind Holdings, LLC	0	0	0	117
Nevada Geothermal Power Company, Inc.	0	0	0	99
Numbers provided by the Department of Energy, EERE				